Williams, Chauncey Pratt

The standard of value

Albany, N.Y.

1892

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Williams Chauncey P[ratt], 1817-1894.
The standard of value. Albany, Parker, 1892.
24 p. 23 cm.

Vol. of pamp.

ONLY ED

RESTRICTIONS ON USE:

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 3-31-98 INITIALS: PB

TRACKING # : 32293

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The following treatise on the Standard of Value was read before the Albany Institute in 1891. It is thought by friends to be sufficiently applicable to the present situation to warrant its publication.

ALBANY, *Dec.*, 1892.

C. P. W.

THE STANDARD OF VALUE.

By Chauncey P. Williams.

[Read before the Albany Institute, April 21, 1891.]

The standard of value! What is a *standard* of value? The question will be variously answered. The technical philosopher will very likely tell us that there is — there can be — no such thing as a *standard* of value. A *standard*, must be something fixed and invariable. All values change. A *changeable standard*, he will tell you, is an absurdity — a misnomer.

Yet, mankind through all history have, in practice, adopted something as a measure of values. It is a necessity of human association. The existence of such a measure or the want of it has, through all ages, marked the dividing line between the advanced nations and those sunken in barbarism. It is a necessity of commerce — of the interchange of all the products of industry.

While in different times, many objects have served temporarily as such measure, the general concensus of mankind, from the earliest periods of history, has decided upon the metals gold and silver, as the objects best adapted for such measure or standard. For more than four thousand years of authentic history, these metals have served as such standard for the most advanced peoples of the earth. In the Mosaic records of the placing of Adam and Eve in the garden of Eden, the land of Havilah is spoken of as the land "where there is *gold*," and it is certified that "the gold of that land *is good*." (Genesis ii, 11, 12.) Nearly two thousand years before the Christian era, Abram traveled from Ur of the Chaldees to Canaan; and, after passing down into Egypt, and returning, he is said (Gen. xiii, 2) to be "very rich in cattle, in silver, and in gold." By the laws of Menes (variously regarded as dating from about 3000 to 3900 B. C.) gold and silver seem both to have been settled as money in Egypt, and their ratio of relative value by weight, is prescribed as two and one-half of silver to equal one of gold. (Faucher, page 11.) Delmar thinks that gold was the first metal produced by man. (*History of Money*, page 2.) Strabo tell us that gold and silver were in use as money in the East in the very early ages, and that the relative value of the two metals

was two of silver to one of gold. (Delmar — *Precious Metals,* 239.)

It is evident therefore that gold and silver through all ages of civilized man have been accepted as the best material for measuring values. It is also evident from an examination of history, that while in some parts of the world in the very early ages, silver was valued *higher* than gold, and that among all peoples of the early historic ages, silver was counted of much higher value compared with gold than its present relative value. There is no doubt that the discovery and the working of gold preceded that of silver. Gold is found in the pure state; silver, nearly always in combination with other substances, requiring skill, machinery, and some chemical knowledge for its extraction.

History makes it evident, also, that the quantity of silver production of the world, has pretty steadily increased over that of gold; and, further, that the relative values of the two metals have, from the earliest times, through the ages, kept pretty even pace, in inverse ratio to the production. M. Leon Faucher, writing about forty years ago, says:

"When we seek to examine minutely the various monetary changes which have occurred, and to lay hold of some principle to guide our inquiry, we quickly recognize the fact that the difference in value between gold and silver increases in proportion to the development of civilization and industry." (*Remarks on Production of the Precious Metals,* page 9.)

We accordingly find that the modern appliances of machinery and steam power, with scientific and chemical knowledge, are brought into requisition to cheapen and largely increase the production of silver; while gold is still chiefly the product of individual personal labor, as of old. There is every reason, therefore, in the nature of things, why the modern ratio of value of the two metals should be wider apart than formerly; and that this ratio should continue further to widen. There is good reason to believe that the quantity of silver which, two centuries ago, cost a dollar to produce, is now readily produced at a cost of fifty cents. And this, although the wages of labor *have quadrupled in the mean time.* The same cannot be said of gold production in any thing like equal degree.

As the general judgment of the nations had thus early led to the adoption of gold and silver as the medium of effecting the exchange of the products of labor, of manual service and objects of desire; the next step of progress was the deciding upon some means of determin-

ing quantities of these metals to be given as the equivalent of other values. It was, evidently, determined that such quantity should be settled by weight. In the early ages of the world, probably, all money of gold and silver passed in exchange *by weight.*

We are told that Abraham, at the death of his wife Sarah, negotiated with the children of Heth for a burial place, and bought of Ephron the Hittite, the field which was in Macpelah, which was before Mamre, and the cave which was therein, and all the trees that were in the field; "and Abraham *weighed* to Ephron the silver which he had named in the audience of the sons of Heth, four hundred shekels* of silver, current money with the merchant." 1860 B. C. (Gen. xxiii, 16, etc.)

When the sons of Jacob were forced to visit Egypt a second time to buy food, because the famine was "sore in the land" of Canaan, and they were brought into Joseph's house, they communed with the steward and said, "we came indeed down at the first to buy food. And it came to pass when we came to the inn, that we opened our sacks and behold every man's money was in the mouth of his sack, our money *in full weight.*" 1707 B. C. (Gen. xliii, 20, 21.) Speaking of wisdom, Job says: "It cannot be gotten for gold, neither shall silver be *weighed* for the price thereof." 1520 B. C. (Job xxviii, 15.)

A recent traveller in Persia (Mr. Geo. Douglas Miller) tells us that in that country silver and gold coins are quite commonly *weighed* when received in business transactions, at the present day. The same practice is common in China.

The prophet Jeremiah says: "And I bought the field of Hanameel my uncle's son, that was in Anathoth, and *weighed* him the money, even seventeen shekels of silver." 590 B. C. (Jer. xxxii, 9.) The prophet Zecheriah says: "And I said unto them, If ye think good, give me my price; and if not, forbear. So they *weighed* for my price thirty pieces of silver." 487 B. C. (Zech. xi, 12.)

So it appears that for one thousand four hundred years of early Jewish history, it was the common practice to *weigh* the precious metals in their use as money. Profane history furnishes us evidence that in the other nations of antiquity, these metals also passed by *weight.*

In the processes of evolution of the money metals as a standard of value, it is apparent that somewhere between about one thousand and

* The shekel was a Hebrew weight equal to two hundred and nineteen grains Troy; equal, therefore, in silver at our present coinage value to about fifty-nine cents. Fessenden's Encyclopedia of Religious Knowledge, Brattleboro and Boston, 1835. Art. shekel.

five hundred before the Christian era, the idea was evolved that if a piece of gold or of silver was to be moulded into certain form and to receive a reliable stamp indicating its weight and fineness, it would add greatly to the convenience of commerce. Hence arose coinage. And hence we find that about the dates above stated, India, Persia and Greece issued coined money; and later Rome also issued coins. These coins generally represented weights, and many of them took the *name* of weights.

Later nations have also formed their coinage systems on the basis of weights. Charlemagne in the ninth century, and England, after the conquest, made the *pound weight* of silver (the Rochelle pound or Tower pound) their unit of money for the expression of value; although I believe neither ever issued a coin of silver more important than for a fraction of the pound.

The use of the money metals in coinage as standards of value, seems to have become settled on a solid basis, when a new form of fraud is invented. The people among the comparatively modern commercial nations have, through generations, become accustomed to the use of certain coins *by name;* when it occurs to the reigning sovereign that he may turn a penny — honest or otherwise — by lightening the weight of metal in the current coin or in debasing its quality. The prerogative of coining money is made to reside solely in the sovereign. The new coin, at first only slightly decreased in weight, is declared by royal decree of equal value to those in circulation, and they pass without serious question. Encouraged by this trial, the ruling authorities next order a recoinage, cutting off a considerably larger fraction of the weight of the coin, the decree of the crown again ordering the new coin to be taken and paid out, under the *same name* and at the *same value*, as the older coin. So the successive diminutions of the coins of the realm go on from time to time, until at last the *pound* gets to be the mere fraction of what its name originally indicated, and the people have been defrauded out of the entire difference.

William the Conqueror in the eleventh century established the pound weight of silver, nine hundred and twenty-five parts fine, and seventy-five parts alloy, as the standard of value for England. It so remained for two and a third centuries when, in the year 1300, Edward I began the game of debasing the standard. It is true he exhibited great modesty in the extent of his plunder. He only coined the pound weight of standard silver, which had heretofore been represented by twenty shilling coins, or by two hundred and forty pennies, into twenty shillings and three pence, a debasement of only one

and a quarter per cent. Compared with the later crimes of the same sort, it bears the relation of petty larceny to the work of the highway robber. But, he sets the example, which his successors are not slow to follow. Edward III, in 1345, orders the pound of silver coined into twenty-two shillings two pence, and two years later into twenty-two shillings six pence, and in 1354 into twenty-five shillings. And so, the work of depreciation having been gotten well under way, it goes on, until in the reign of Edward VI in 1550, the pound weight of fine silver, through debasement of the standard of quality and reduction of weight, a pound Troy* of silver, is coined into two hundred and sixty-six shillings, eight pence; and the (£) pound sterling, is made to contain only about eight per cent of its original weight of silver, as twenty shillings is at all times the legal pound. It is creditable to the English people that a large part of this debasement of the standard was corrected in restoring the coinage under Queen Elizabeth, to represent about one-third of its original value, by the coinage of the Troy pound of the old standard silver, first into sixty and later into sixty-two shillings; at which it remained until 1816, when the weight of the shilling was lessened, for the purpose of making the silver coin a subsidiary currency, and no longer a standard of value.

The monetary history of France exhibits a similar, and even a much greater degradation; which also applies to Italy and the most of central Europe. Under Charlemagne about the beginning of the ninth century the livre or pound — *i. e.*, the Rochelle pound† weight of silver, was established as the unit of money, and the standard of value. The successive depreciations of the coinage — commonly called in Europe "*the raising of the moneys,*" by the rulers succeeding Charlemagne, have brought the coinage of those countries down to so ridiculous a result that the *livre*, or "pound" at present in circulation, contains less than one and a half per cent of the quantity of pure silver originally contained in the *livre* of Charlemagne. And yet, through all these debasements of the weight of the coins through the ten centuries and more, since Charlemagne, the *name* — "*livre*" — has been retained; and (excepting with France) is still retained by these countries. France seems to have regarded the designation of "*livre*" to a coin containing the ridiculous fraction of only about

* The mint weight had been changed by Henry VIII, from the Tower pound to the Troy pound, which was three-fourths of an ounce heavier.

† The Rochelle pound was the exact equivalent of the Tower pound of the English.

one-seventieth its weight, as not quite creditable to her monetary system, and so changed its name to that of franc.*

The latest of England's tampering with her standard of value was under Queen Elizabeth about 1601. England was then just entering what proved to be the stormiest century of her history — the century also of some the brightest minds of her sons — of Bacon and Shakespeare, of Cromwell and Hampden, of John Milton and of Locke and Newton, in the lists of fame; and of Strafford and Land and the Star Chamber Court, on the rolls of infamy. The questions to be settled

* Delmar (*History of Money in Ancient Countries*, London, 1885, pp. 202, 203), says: "As for the notion that the coin or sum livre of France ever weighed a livre weight, or the coins or sum pound sterling of England ever weighed a pound weight, there is no warrant for it in fact." And Delmar goes into considerable length of explanation of the reason of the above assertion.

On the other hand *Lowndes* (*Report for the Amendment of the Silver Coins*, London, 1695) quotes from the "Black Book written by Gervaise of Tilbury in the time of Henry II," which he calls "a book of great authority, remaining in the exchequer," in speaking of the orders of King William I for the paying of his warriours, that they "should not only be paid" (I quote from Lowndes), "*ad Scalem*, but also *ad Pensam*, which latter was the paying as much money for a pound sterling, *as weighed twelve ounces Troy*."

Lowndes at this time (1695) was secretary of the treasury, and ought to know whereof he affirms. Later on in his report Lowndes quotes from the indentures of the mint after this fashion which I copy, (date 28 Edward I, A. D. 1300.) "An Indented Tryal-piece of the goodness of Old Sterling was lodged in the Exchequer, and every Pound weight Troy of such silver was to be shorne at Twenty Shillings Three Pence, according to which the value of the silver in the Coin, was One Shilling Eight Pence Farthing an ounce." This is stated as the *first* debasement of the English coinage from the former coinage of 240 pence to the pound weight of silver under William the Conqueror and his successors down to Edward I. And so Lowndes goes on through all the successive tamperings of the different sovereigns with the standard of value, down to his own time — in each case stating from the mint indentures, that "a pound weight of the old sterling silver" was to be coined into so many (as stated) of the different coins.

Lord Liverpool also (letter to the king on the coins of the realm, first published 1805, London, 1880), says: "At the accession of William I to the throne of England, the pound in tale of the silver coins current in his kingdom, was equal to the pound weight of standard silver; that is, the Tower pound before mentioned." The Tower pound before mentioned, he had explained to be the same as the Moneyers pound, and the Rochelle pound, and was lighter than the Troy pound by three-fourths of an ounce Troy. The Troy pound contained 5760 grains and the Tower or Rochelle pound 5400 grains. Henry VIII in the eighteenth year of his reign — 1527 — abolished the Tower pound from the mint and established the Troy pound in its stead. This fact needs to be taken into account in all comparison of weights before and after that date.

were, for the most part, of too serious a nature to admit of tampering with the currency.

But, as the century drew toward its close, the circulating coin of the realm was found to be in very dilapidated condition, through the clippings of the dishonest, and the wear of long use. William of Orange had just been established on the throne and something of stable government seemed to be dawning on the horizon. The condition of the coins attracted the attention of the Parliament and people. Lowndes, the Secretary of the Treasury, was called on for a plan of cure. He replied by a report to the Lords of the Treasury recommending re-coinage, raising the value of silver twenty-five per cent, citing the history of the previous coinages in which similar action had been taken, and claiming further justification in the exigency of the extreme depreciation in weight and real value of the silver coins in circulation. The actual depreciation of the circulating coins as proven by the weighing £221.418, in the condition they were received at the Exchequer was shown to be more than forty-two per cent. Mr. Lowndes' proposal was that the expense of the restoration of the coinage should be, in the manner he suggests, shared between the present owners and the Treasury. Through the influence of Locke and Newton, the scheme of Lowndes was defeated, and it was decided that the coinage should be restored to its full legal weight, at the public expense. A decision based in justice, and prompted by wisdom and sound economy! Mr. Locke published several essays on the subject which have come down to us. The result is a triumph of sound reason and sound economy, over that short-sighted financiering, which expects to make itself rich, as Macaulay says, "by *calling ninepence a shilling*."

This re-coinage of the English currency under William and Mary in 1696–9 marks an important era in the evolution of the standard of value. Sir Isaac Newton, after making the greatest scientific discovery of all the ages, was made warden of the mint, and, thereafter, something of scientific system is to govern the coinage of money in England. From this date *credit* becomes an important factor in the affairs of civilization, and its use adds in many fold degree to the importance of a *stable standard* of value. It is, too, the era of the inception of *national debts*, which since have grown to such towering importance in their magnitude.

Prior to about this period the commerce of the world had consisted almost wholly of the exchange of products for payment at once in other products, or for their equivalent in money. Money — the standard of value — has, up to this time, served but little purpose other than

its most obvious one, viz., as an instrument of exchange. With the introduction of credit and the practice of borrowing and making loans, payable at a future period, and in many cases at the end of a long term of years; or, as in case of the English debt, without condition as to the time of payment; it is manifest that the *standard of the money* in which the debt is to be paid, becomes of vastly increased importance to both creditor and debtor. It will not do now to call a coin or a sum of money *a pound*, and, during the term of these loans, reduce it to a third or to a thirtieth of its substance, and still hold it to be the same value contracted for, because it bears the same name. To the honor of the British nation let it be proclaimed that from this period down, the standard of the currency was unchanged, except by the gradual steps toward the transfer of the standard of value from the silver to the gold basis, which was completed in 1816. And Great Britain has found her abundant reward for this fidelity to an honest and stable standard of value. in that her chief city has been made the center of the world's exchanges for nearly two centuries as its result.

I have thus at some length traced the history of the evolution of the standard or measure of values, to show that by the general consensus of the civilized nations of the earth, gold and silver have been fixed upon as the best materials for such measure; and that as the nations advance in commercial intercourse and in industrial progress, and especially as credit and loans on long time become prominent in the relations of individuals and of nations, the indispensable necessity of a stable and invariable measure of values becomes of transcendent importance.

A brief review of our own monetary history as affecting the standard of value, will now be appropriate.

The monetary system of the United States was established shortly after the inauguration of the government under the Constitution, under the advice of Alexander Hamilton, who was then Secretary of the Treasury, in his report to Congress, January 28, 1791. Hamilton had studied his subject with care, and he aims to decide all the questions involved in its consideration, with reference to the relative values of gold and silver throughout the world. He says: "Contrary to the ideas which have heretofore prevailed in the suggestions concerning a coinage for the United States, though not without much hesitation, arising from a deference for those ideas, the secretary is, upon the whole, strongly inclined to the opinion, that a preference ought to be given to neither of the metals, for the money unit. Perhaps, if either were to be preferred, it ought to be gold rather than silver." And he predicts that "the revolutions which may take place in the comparative value of gold and silver, will be changes in the state of the latter, rather than in the former." He further says: "There is scarcely any point in the economy of national affairs, of greater moment than the uniform preservation of the intrinsic value of the money unit. On this the security and steady value of property depend." (*Hamilton's Works*, 1850, vol. 3, pp. 155, etc.)

Congress, on Hamilton's advice, established the coinage of the United States on the ratio of fifteen of silver to one of gold. This ratio, although conforming closely to the then European ratio of valuation of the two metals, soon proved to be an over-valuation of silver. Both gold and silver were made equally a legal tender, and a measure of value.

This ratio was changed in 1834 owing to the depreciating value of silver, to about sixteen to one, by which gold was over-valued. This change was made by reducing the weight of the gold coin something more than six per cent.* This was in fact a depreciation of our standard of value to that extent, to keep pace with the actual depreciation of silver in the world's markets.

In the organization of the mint, Congress had provided that the fractional coins should be exact aliquot weights and of the same standard of fineness as the dollar coin, and they were equally a full lawful tender. Owing to the French mint offering full free coinage to all holders of either metal at the ratio of 15.5 to 1, it was now found that most of our fractional coins, as well as the dollars, coined by the mint, were being drawn off to the European mints, attracted thereto by the something more than three per cent of pure silver metal contained in them over the French coin. Meantime our own circulation of fractional silver as well as the dollar coin was filled up with Spanish and Mexican coin — mostly in a much worn condition. This state of things induced Congress in 1853 to reduce the *weight* of the fractional coin nearly eight per cent, and limiting its legal tender capacity, to insure its retention at home. From this time our fraction silver coin supplied the circulation, and the heterogeneous mass of foreign silver coin vanished from the country.

These are the only changes in our coinage affecting the relations of gold and silver down to 1873, when it was decided after long deliberation through two Congresses, to drop the coinage of the silver dollar. Down to this time, through eighty years of our history, during the

*6.18181 per cent.

whole of which time the mints were open to the *free coinage* of both gold and silver to all comers, we had coined of legal tender silver, $84,752,319, and of gold, $983,159,695.

Of the above amount of silver, only $8,045,838, of the dollar coin were struck, and nearly one-half of this number (exactly $3,827,268) were coined during the suspension of specie payments, 1862 to 1873, when nobody in our own country used the silver dollar, except as a curiosity to be stowed away in coin cabinets. Nearly six millions also of this total of legal tender silver coins (exactly $5,877,077) consisted of five and ten-cent pieces, which, notwithstanding their insignificance as single coin, were chiefly sent to Europe at a premium, for re-coinage. The curious fact stands on the pages of our statistics, that down to 1853, when the coinage of fractional coin, as aliquot parts of the dollar ceased, our mints had coined more than double in value of five and ten-cent coins to the value coined of the vaunted silver dollar; the exact relation of the two being, of five and ten-cent pieces, $5,877,077; and of the dollar coin, only $2,506,890. Thus it will be seen that, during the first sixty years of the working of our mints, only two and a half millions of the standard silver dollar were coined; and only $4,218,670 in the total of the dollar coin were struck before the suspension of specie payments on account of the war in 1862. It will readily be seen from this narration how misleading is the accusation of the present advocates of the free coinage of the silver dollar, that this dollar was the cherished "DOLLAR OF THE FATHERS." The truth is that the Spanish pillar dollar was the "dollar of the fathers," as all of us whose recollection goes back into the first half of the century, will readily remember. And none of us will remember the *United States dollar* in circulation before the late civil war. In fact this dollar had never been a coin of circulation down to 1873.*

In 1873, when it was decided by long considered act of Congress to drop the silver dollar from our coinage laws, this dollar bore a premium of more than three per cent for shipment to the European mints. Meantime Germany had decided to change her money standard from silver to gold. France and the Latin union, finding that Germany would dismiss four or five hundred million dollars silver from her circulation, closed their mints to silver coinage; and Germany was compelled to resort to the London market to find vent for her useless silver. Then began the depreciation in its market value. Not until three or four years after the act dropping the further coinage of

* Secretary of Treasury Boutwell.

the silver dollar, and not until the effect of Germany's action began to be felt in the market value of silver, did our silver producers discover the "*enormous heinousness*" of what they termed "*our demonetization of the silver dollar.*" It is even discovered that several of them who have been most vociferous in denunciation of the measure, actually voted for it on its passage in Congress.

It is manifest from this relation that the silver coinage of our mints, down to 1878, at the adoption of the Bland-Allison coinage bill, never, from the organization of the government a century ago, exercised more than a very minor influence upon our monetary circulation, and our standard of value. The charge that the action of Congress in dropping the dollar from the coinage, was the cause of the depreciation of the value of silver, is wholly groundless. It is recognized in the light of the past, however, as a most fortunate circumstance that it was so dropped; as otherwise we should long since have been drifted upon the mono-metallic silver basis, along with Mexico, South America, China and India.

Since 1873, the world's annual product of silver, as shown by the statistics gathered by Dr. Leech, our present director of the mint, has doubled.* The cost of its reduction from the ores and baser metals with which it is usually found in combination, has been reduced fifty per cent, as has been hereinbefore referred to. We see in this fact how fully Hamilton's prophecy of a century ago, that changes in comparative value of gold and silver, would be changes in the state of silver rather than in gold, is verified. It is easy also to see that the disjointure of silver from the currencies of the European commercial nations, about 1871–76, effected only the beginning of that decline in commercial value which silver has since realized — a decline which our coinage annually, since 1878, of more than three times the number of standard silver dollars previously coined in the whole eighty-six years of the existence of our mint prior to that date, has been powerless to arrest, or even sensibly to influence. It becomes apparent also, that the restoration, on our part, of the *status quo* before 1873, as demanded by the advocates of free coinage, is not at all, in effect, restoring the then existing relation of things; but the adoption of free silver coinage on the old ratio would be *a fatal debasement of our standard of value.*

The advocates of the free coinage of silver claim that they are bimetalists with regard to our coinage; that they wish to have silver and

* Production of Gold and Silver, by Edw. O. Leech, Washington, 1890, page 61.

gold circulate together freely as money. Taking the experience and judgment of all sound financial minds as our guide, with all history of fiscal affairs for our enlightenment, there can be no escape from the conclusion that, in the present condition of affairs, the free coinage of silver with us would place us upon the *mono-metallic* basis of *silver*, and with the silver dollar, not as now, exchangeable for a gold dollar, but degraded to the commercial value of the quantity of silver in the dollar coin as our standard of value. It would be a degradation of our standard of value to the equivalent of seventy-five cents or less. Gold would stand at a premium of thirty-three and one-third per cent, and would, of course, disappear from circulation.

We do regard it important that silver be retained as part of the world's money as has been through all history the case. But, until the foremost commercial nations will jointly agree with us upon a ratio of coinage of the two metals, at which they will maintain both in circulation, under free coinage it would be fatal for us as a single nation to undertake it. And when undertaken, it would seem great folly not to recognize the commercial depreciation of silver, under the effect of its increased production, and widen very materially the former ratio of coinage value. Until such joint action of the nations can be reached, silver cannot with safety be more than it is at present — *a subsidiary currency.*

The attempts of our Congress to legalize the unlimited coinage of the silver dollar are prompted by the greed of the mining interest, joined with the advocates of *fiat money.* This interest is reinforced by many men of upright purpose who are misled by false statements and the specious arguments of its advocates. Nothing of sound public economy, of good finance, or of true statesmanship is found to support it. The single fact that, in the eighteen years since adopting the act dropping the further coinage of the silver dollar coin, *the world's annual production of silver has doubled,* is in itself alone sufficient reason for its refusal, unless at a very considerable widening of the present ratio of weight of the two metals, and in conjunction with the commercial nations. The relative values of silver and gold which four centuries ago had become established at about eleven to one, had a century ago reached fourteen and fifteen to one, and, during the present century up to 1873–76, were fifteen and one-half and sixteen to one, have for the past decade stood at twenty to twenty-two to one, with tendency still further to widen.

The production of silver in the United States was insignificant down to 1861, amounting usually to not more than $50,000 to

$150,000 annually. In 1861, the production was $2,000,000. Down to 1873, it had reached $27,750,000; in 1878 it had reached $51,200,000, and in 1889 it had reached *$64,646,000.

In 1878, when the Bland-Allison coinage act was adopted, the market prices for silver and gold bullion made their ratio of value by weight †17.94 to 1. In 1889 the ratio was 22.09 to 1. The mining interest meantime, more and more urgent for *free coinage*, succeeded during the last year in carrying the United States Senate for their measure. The menace of the silver standard was so imminent as to lead to the adoption of what is termed the Windom bill, in July last, which authorizes the purchase of 4,500,000 ounces silver bullion monthly, and storing it in the treasury. This provision for the purchase of the total production of the country (less the amount used in the arts), virtually authorizes the secretary as buyer, to cooperate with the miners as sellers, to use all legitimate means to crowd up the market price of silver. The act had the effect to raise the average market price for three or four months, from ninety-four to one hundred and fourteen cents, twenty cents per ounce, but fails, as experienced financial minds predicted it would do, to permanently advance the price.

What the ultimate effect of the continued operation of this act is to be on the future market value of silver, is a problem for the political economists, skilled in estimating the effects of syndicates and trusts to "*corner*" and "*bull*" the markets for products, to solve. Will the fact, known to the whole world, that there is here this accumulating hoard of useless silver, added to by yearly accretions of fifty-four million ounces,‡ have the effect to appreciate or to support the world's markets for silver? This query may well be weighed by our statesmen.

We have already coined under the Bland-Allison act of 1878, nearly or quite 400,000,000 dollar-coins of silver; although about 65,000,000§ is the largest number of them which, with all our effort, and the delivery of them free of charge at all points in the United States, we have been able to force into circulation. The remainder, about 335,000,000,‖ occupy the vaults and storage room of the government, at its expense to hold and guard them.

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* *Mint Report*, 1890, page 183.

† This is the *average* ratio of value for the year, as computed by the director of the mint. See report for year ending June, 1890, page 184.

‡ Is it realized that this amount is over one thousand eight hundred and fifty tons of pure silver (of two thousand pounds each)? § *Mint Report for* 1890, page 15. ‖ Over nine thousand eight hundred tons (Neat).

The question seems to us a pertinent one — whether we have not gone about far enough in experiments with silver? Whether it is wise to jeopard further the interests of all the industries and the whole commerce and financial interests of the country, at the behest of the comparatively small interest of silver mining? And still further, whether we can afford to debase our *standard of value* to the level, and subject it to the future fluctuations of silver, with the certainty of its further depreciation?

There can be no escape from the conclusion, that under existing conditions the restoration to free coinage of the four hundred and twelve and one-half grain silver dollar would be a fatal depreciation of our standard of value. Let us now consider somewhat the effects of that depreciation.

It would mean that our *one thousand millions* of national debt, and the equal or greater sum of State and municipal debt, with the *five thousand millions* corporate debt — the untold millions of mortgage debt and of commercial debt, not payable by the terms of contract *in gold coin,* would suffer a depreciation of twenty-five per cent or more in actual value. It would mean a similar depreciation to the three or four million depositors upon their *fifteen hundred million* dollars deposits in the savings banks of the country; a like depreciation upon the *twenty-one hundred millions* deposited in the national banks and the *one thousand millions* deposited in State banks and trust companies of the country. And all this for whose benefit? For that of the few holders and producers of silver! And for what advantage even to them? To enable them to fancy they are getting rich, by calling seventy-five cents *a dollar*. It is the old story, slightly modified, of the advocates of fiat money.

It would mean the cutting down by one-fourth of the purchasing power of the daily, weekly or monthly income of the wage earner, of every person occupying official position, or otherwise employed on a salary, and of all persons of fixed incomes payable simply in dollars. It would mean a reduction of one-quarter to the widows and orphans upon all life insurance on the death of the husband and father. Its effects would reach every citizen of our broad land without exception in its blighting effect.

"Plague, pestilence and famine are, after all, but local and temporary calamities; floods, earthquakes, and cyclones are limited in their disastrous results; but a change in the standard of value affects all existing contracts, upsets all the calculations of business, reaches every family in the land and converts legitimate trade into speculation and gambling." (Hon. A. S. Hewitt, letter to coinage committee, February 10, 1891.)

"The greatest financial evil that could befall the United States, would be to change to the silver standard." (From J. J. Knox, statement 21st February, 1891, page 18.)

It would disgrace us as a nation, as untrue to our honest obligations, as well as failing in sagacity to follow the course dictated by our true interest. We look with hope and expectation to the period when our country shall become the center of the world's exchanges, with all which that implies. That is clearly to be within our grasp in the near future, if wise statesmanship is to govern our affairs. Mr. Gladstone, in that remarkable article of his, entitled "Kin beyond the Sea," written twelve years ago, indicates in explicit terms this probability, and he also instances the disposition "to tamper with the true monetary creed" as one of the chief follies by which this desired consummation may be prevented.

It is quite clear that no other governmental folly could be more effective than this of free silver coinage, irrespective of the action of the other nations, to defeat our hopes of commercial supremacy, which might otherwise be open to us. No other single measure could be so prejudicial to all true progress of the country. Better, many times better, buy up the entire silver production of the country, and sink it in the middle of the sea, deeper than ever plummet sounded!

Most closely allied to the character of a people for integrity, for good faith, for all those virtues which give stability to and inspire confidence in national character, is the estimation in which they hold their standard of value. Considering the important part which credit plays in modern national and commercial affairs, *any* tampering with the standard of value of a people cannot be regarded as less than a *high public crime.* It is a crime against the national life and against the national honor, which should be held dearer than life. It is a blow at the national prosperity and welfare. A nation can do no one act so fatally blighting in its effect, and so all-pervading in its baleful influence, as in the degrading of its standard of value. The only persons benefited are the speculator and the crafty sharper. The honest debtor may imagine he is to lighten his load of debt by it, but in the end he finds even that gain more than compensated by the increased cost of all needed commodities. The imagined need of *more money,* and of *cheap money,* is mainly a delusion. It is *capital,* not cheap money, which the needy require, and *capital* is only to be earned by faithful labor. As Senator John Sherman says in a recent speech:

"No principle of political economy is better established than that the *producing classes* are the first to suffer and the last to gain by monetary changes." *

Let us hold unswervingly to the maintenance, *inviolate and unvariable*, of our *standard of value*, as we recognize the importance and the duty of doing with our standard weights and measures. A twenty-seven-inch yard stick, and a twenty-four-quart bushel, are as desirable, as reasonable and as honest as a nine-penny shilling, or a seventy-five-cent dollar.

* Speech 5th June, 1890, in United States Senate, page 26.

APPENDIX.

[December, 1892.]

It is claimed by the advocates of the free coinage of silver by the United States at the existing ratio of about 16 to 1, that gold has very greatly appreciated in value — or in its purchasing power, which is the same thing; — since the discontinuance of the coinage of the dollar coin in 1873. Some of these free coinage advocates go so far as to insist that silver has not depreciated at all — that the entire difference at present existing between the two money metals as bullion, is covered by the enhanced value of gold.

The late speech of Senator Jones, at the Brussels conference, as we gather from the fragmentary report of it which reaches us through the dispatches to the press, seeks to impress the same view upon that body, viz. — that it is the appreciation of gold that is depressing industry, disturbing commerce, unsettling values, and grievously adding to the burdens of the debtor. We have the views of Senator Jones pretty well elaborated in his Congressional speeches, and we freely admit his able presentation of the doctrines of himself and of his school on this subject. They are in harmony with the views and arguments, so freely and industriously circulated on this side the ocean, to impress the farmer, the mechanic, and the workers for wages; that they are greatly wronged by the refusal or delay of inviting the world's silver to our mints, at a value more than fifty per cent above that at which its holders are anxious to sell it.

The doctrine advocated by Senator Jones and his school of financiers, would lead us to believe that silver has not depreciated—that it has, during all these twenty years, maintained its steady value, while gold has been unstable, and has largely advanced. The Senator makes this view appear quite plausible to minds unskilled on financial and

*"Labor, therefore, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the value of different commodities at all times and at all places. We cannot estimate the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn" (*i. e.*, wheat, etc.). "By the quantities of labor we can, with the greatest accuracy, estimate it both from century to century and from year to year." (Wealth of Nations, London, 1796, 1, 54.)

economical subjects. We admit the ingenuity of his argument and the eloquence of his appeals. But we must not allow ourselves to be deluded by them.

Adam Smith, and all the economists hold, that the WAGES OF LABOR — especially of the common grades of labor — is the only sure test of the value of commodities, and of the money in which their value is expressed, at all times and in all places.*

When subjected to this test, the theory of the free coinage advocates wholly fails. All must admit that the wages of labor, for the past twenty years, taking gold as the standard of the money in which the value of such wages is computed, has not only held the current rate at the beginning of the twenty years term, but has largely advanced. So, we are here furnished with demonstrative proof that there has been no advance in the value of gold. Silver, therefore, from whatever cause, has depreciated in the twenty years, more than one-third its entire value at the beginning of that term.

Moreover history makes it clear that while both gold and silver, during the past five centuries, have depreciated more than seventy-five per cent of their value in the fourteenth and fifteenth centuries; and that through all historic time, silver has — as a general fact — depreciated as compared with gold; (*i. e.*, more rapidly than gold) so that the ratio of value between the two metals has been constantly widening. This widening tendency of the ratio of the two metals was artificially restrained from about the beginning of the present century down to 1871, by the action of the French government in inviting the world's stock of both metals to its mint, on the offer of payment therefor, in coin of either metal, at the ratio of 15.5 to 1: thus arresting artificially the action of the law of steadily widening of the ratio of value of the two, until a break came; when the natural law asserted itself by a sudden and wide depreciation of silver, from the fact of so long artificial restraint: like the breaking away of a dammed up stream — the rush and destructiveness of which is all the greater, the higher the dam, and the greater the quantity of pent-up water. Now, we find ourselves with an actual ratio of 25 to 1. instead of 15.5 and 16 to 1, as the actual existing fact.

Such is the actual situation; and the problem is, what will we do with it? Shall we adopt the policy of Senator Jones and his co-adjutors, of inviting the world's silver to our mints, to be paid for in our gold — so long as our gold shall be sufficient therefor, at rates more than one-half in excess of those now demanded for it in the world's markets? Senator Jones and his co-advocates of free coinage profess great regard

for the suffering farmer. Why do they not advocate the purchase of the farmer's crops of wheat, corn, pork and other products, at fifty per cent above their current market values. This policy would certainly afford greater relief to the farmer; and would be quite as sensible on the part of the government. It would, too, be much less injurious to the public interest. For, in this plan of buying up his products at once and a half their value, the injury and loss to the public would be limited to the sum we paid, beyond the market value of the purchase. While the free coinage of silver at the present legal ratio of 16 to 1 would inflict untold injury and loss upon every man, woman and child of our entire 65,000,000 inhabitants, in its direct and indirect effects. And this injury and loss would fall heaviest and in its most disastrous effects upon the farmer, the laborer, the wage earner in all departments of industry, and upon the small dealer in trade; while the speculator and the sharper will make it the opportunity for reaping their harvest.

I will say for the silver miner, that I do not see much opportunity for him to make gain out of free coinage, except as he is sharp enough to take advantage of the transition from the gold to the silver standard. For, his coined silver dollar, after passing that transition, will be worth to him only the bullion value of the silver contained in the dollar coin. And there can hardly be a question that after adopting free coinage, and paying for the addition to our stock of silver coin by disposing of our gold; that silver bullion will continue to decline in the world's markets, still below its present value; unless we can induce the commercial nations to join us in a ratio at which all will unite in free coinage. And further,— we seem to be too dull to see it,— but our continued threat of free coinage, and our bulling the market for silver, is just the action on our part which insures the defeat of such joint action of the nations: and, notwithstanding our "silver conferences," our sharper-sighted brethren across the water laugh at us, and coolly calculate the time when we shall be forced upon the silver basis *nolens volens*, as the result of our present policy of buying and hoarding silver, for which we have no possible use. We seem also too blind to see that it is this very policy, joined to the prospect, as it clearly looks to the intelligent foreign financier, that we are quite likely, in some shift of political exigency, to be led to the adoption of free silver coinage, that is the motive for the withdrawal of foreign capital from our markets, and the returning our securities held abroad, for sale, while gold can be returned for the proceeds; under the apprehension that bye and bye, under free coinage or otherwise our being forced upon the silver basis, only silver can be returned therefor. Let any

intelligent man of business apply his mind to the situation: — put himself in the place of the intelligent foreign investor in our securities; or having capital invested temporarily in our financial centres; and answer to himself if, under like circumstances, he would not do just so! Let our intelligent man of business reflect further, if this process of withdrawal of foreign capital before described does not answer for the abnormal shipment of our gold to Europe, when by all the seeming laws of trade, the current should have been strongly toward us, during all the past eighteen months or more?

We admit the importance of restoring silver to its proper place as a portion of the world's money. But, in accomplishing that object, let us take the common sense course of treating it according to its true value, as attested by the great markets. Let us make a ratio which will correspond with its present relations with gold. And even then we would not advise admitting it to free coinage without the concurrent action of the European nations. So long as Europe discards silver as full legal tender money, it will be folly for us to make it so. But let a ratio of somewhere about 25 to 1 be established with the concurrence of Europe in maintaining that ratio with free coinage; and, beyond doubt, it would be maintained. Still, fluctuations in its value in the future should be expected; and the convention of leading governments should look to a periodical readjustment of the ratio — say, at periods of a third, or a half century; when, if the production of silver relatively to gold continued in excess; or the contrary, a recoinage at a changed ratio to fit the existing condition, should be ordered.

Failing some international arrangement like this, the United States should quit the purchase of silver, and sell its stock of both silver bullion and coin, (after melting it) down to the needs of the business of the country in actually circulating coin. Our attempt to prop silver by certificates, and by creating an artificial market on which to buy it, when the only use for it is to be piled up in an immense hoard, subject to our cost for storing and guarding it, is both economical and financial folly.

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